

1 **BRIAN FARRELL**

2
3 CHAIRMAN JAMES: Again, thank you, Mr. Farrell. We
4 really do appreciate your rearranging your travel schedule in
5 order to be here with us.

6 MR. FARRELL: Thank you. I start first with an
7 apology and a thank you. Apology first, because I have been told
8 on each of my visits to the U.S. that I have a very strong
9 Australian accent and it becomes very hard to understand. So
10 I'll do my best.

11 CHAIRMAN JAMES: I'll try to refrain from saying
12 g'day.

13 MR. FARRELL: The thank you is for the opportunity,
14 to the Commission and also the North American Gaming Regulators
15 Association for inviting me to speak. It offers an opportunity
16 to allow to be heard myself and not through others who tend to
17 put their own slant on what we're doing in Australia.

18 I'd like to say first and foremost that I'm a
19 regulator and I've no interest in promoting any form of gambling,
20 whether it be on the Internet or otherwise. I speak on behalf of
21 the working party and like Joseph said beforehand, the views are
22 my own.

23 I've used the written testimony to answer the
24 specific topics that were contained in the Commission's
25 invitation and I'll try not to repeat myself too much. I would
26 like to say first off, that in understanding what we have
27 recommended in Australia, we had to start with a very mature
28 gambling industry. We have an industry for 18 million people
29 which is an expenditure of over \$18 billion and we have in most

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1 states every conceivable or thought of successful form of gaming,
2 legalized. So on that basis, we have no unmet demand. We are
3 not suppressing the availability of any particular product in
4 most states. So that, for a start, is a point of difference.

5 I understand and appreciate particularly the states
6 in the U.S. who are trying, as gaming regulators and policy
7 makers, to enforce what they see as community standards in their
8 own jurisdictions.

9 I'll reiterate something that was said by the first
10 speaker and that is, once policy makers have determined to
11 legalize any form of gaming, the regulators' primary interest
12 must be on protecting the rights of players. That is not
13 possible in the unregulated environment. Unregulated gaming
14 means that those who access the service might be dealing with
15 criminals or the criminal influence, might be playing rigged
16 games. Even if they win, they might never be paid and they're
17 probably dealing with a person without interest in their welfare
18 as a player or whether or not they have a gambling problem.

19 Providing regulation is the only way to protect the
20 players. I say that with one proviso in respect to Internet
21 gambling. That proviso is that the regulation must be there and
22 it must enforce strict player registration procedures. With
23 strict player registration procedures you can control,
24 effectively control minors' gambling, credit gambling, the
25 setting of bet limits, the provision of exclusions which can be
26 enforced and enforcing cooling off periods.

27 However, without strong player registration, you have
28 no hope of doing any of those things. So we as a working party
29 saw the real threat as not regulating. If the unregulated are

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1 allowed to continue servicing a market of unmet demand on their
2 own, they will eventually set the standards for this product. In
3 Australia, because of their mature industry and not because we
4 think we're good fellows, we have in the technical areas we feel
5 the foremost gambling regulation in the world. We see, in
6 allowing anyone else in terms of Internet gambling setting
7 standards, particularly by default as a serious threat.

8 Enforcing strong regulation, particularly strong
9 player registration upon Internet gambling providers is a big
10 ask. If the unregulated are allowed to gain market share through
11 being able to offer credit, to be able to do credit transaction,
12 to be able to bet anonymously, our chances of enforcing a strong
13 player registration on our own providers becomes less and less,
14 as they compete in the market with others not having to undergo
15 the same hurdles.

16 So the Australian proposal is to get out there before
17 the market has swallowed up the unregulated and provide the world
18 related and respected product in competition. In Australia, and
19 this is not necessarily the case everywhere else, and I can
20 detail examples of this for you if you'd like, whenever we have
21 moved to legalize a particular form of gambling, it has driven
22 the illegal form into a level of insignificance, has never
23 eradicated it, but it has driven it to a level of insignificance.

24 I'd also like to make a remark about the potential
25 market size of this industry. I know this was covered in the
26 written testimony but it is worth reinforcing. In Australia we
27 have had interactive gambling via the telephone, on horses for
28 over 30 years. This is not in competition through the same
29 provider, with a network of shop fronts which sell the same

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1 wagering products. In Australia we have totalizators sold
2 through dedicated retail outlets in shopping centers, the same as
3 you sell lottery tickets over here, expect their single product
4 outlets, not multiple product outlets. Now, they're pretty dingy
5 places, most of these TAV outlets as we call them. If you go in
6 there on a Saturday afternoon, it's full of smoke and fellows in
7 blue singlets watching videos of races and marking up betting
8 tickets as quick as you can, very uninviting, very, very
9 uninviting for ladies. Also very, very uninviting for someone
10 wearing a suit.

11 Now, we have telephone gambling on exactly the same
12 races, some of it televised into the home. All you have to do is
13 visit one of these outlets once, open up a telephone account
14 with, I might add, strong player registration procedures, and you
15 can sit at home on a Saturday afternoon, where the fridge is
16 handy and you can ring up on the telephone and place a bet on
17 whatever race you like throughout Australia. Wow! That would be
18 popular. That's easy, that's smart. Out of all the totalizators
19 in Australia, most still have less than ten percent of their
20 betting done this most convenient and by far preferential way to
21 the outside view.

22 The point here is that just because something is
23 technically possible, just because it might be pretty, does not
24 mean it will appeal to the public. The only other remark I'd
25 like to make is again thank you.

26 CHAIRMAN JAMES: You're more than welcome. Thank
27 you.

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